SUBJECT: Audit Report - 2005-11 - Business Travel, Training & Related Expenses (CM06006) (City Wide)

RECOMMENDATION:

That Report CM06006 respecting Audit Report 2006-11, Business Travel, Training and Related Expenses, be received.

Ann Pekaruk
Director, Audit Services
City Manager's Office
ANALYSIS/RATIONALE:

Nine main PeopleSoft accounts normally associated with the type of expenditures noted for this review totalled $3.99 million for 2004. These expenses for employees of HECFI, Police and Library are excluded from this review. A sample of the various types of expenditures was selected for review.

The objectives of this review were to determine whether adequate controls exist to prevent unauthorized travel, seminar and conference expenditures and whether travel expense reports and payments are processed in compliance with the City's policies and procedures. Mileage and tuition claims were examined in a similar manner.

The report attached as Appendix “A” contains the observations, recommendations and management responses resulting from the audit of business travel, training and other employee related expenses.

Due to the nature of the expenditures (i.e. the employees’ responsibility for the purchase of goods and services resulting in their personal benefit and the reliance on Supervisors for diligent review), there is a risk of financial loss to occur. This audit is performed on an annual basis, lowering the risk of ongoing losses and individual expenditures are normally low dollar amounts. Therefore, the overall risk of significant financial loss is relatively low. The frequency of the audits may also act as a deterrent.

The main issues noted for action in the report pertain to: charges to inappropriate accounts; travel claims not submitted within prescribed timeframes and non-completion of post conference evaluation reports; upkeep and retention of current Signing Authority forms; and dues/fees based on course memberships (included erroneously under staff memberships) paid by the City golf courses.

Management and staff have already taken action or have agreed to take measures in the near future in order to implement all of the seven recommendations. Specific action plans can be found in the audit report attached.

ALTERNATIVES FOR CONSIDERATION:

Not applicable.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Financial
None.

Staffing
None.

Legal
None.
POLICIES AFFECTING PROPOSAL:

Policy for Business Travel, Seminars and Conferences
Tuition Reimbursement Policy (Human Resources)

RELEVANT CONSULTATION:

The attached report includes management action plans which reflect the responses of management and staff responsible for business travel, training and related expenses (i.e. Financial Services and Finance & Administration, Divisions of Corporate Services and Culture & Recreation, a Division of Community Services).

CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☐ Yes ☑ No

Environmental Well-Being is enhanced. ☐ Yes ☑ No

Economic Well-Being is enhanced. ☑ Yes ☐ No

The City Council’s strategic commitment to “Best Practices – Best Value” under “A City That Spends Wisely and Invests Strategically” is addressed through audits and reviews and their subsequent follow up to ensure controls are in place to protect the assets of the City and promote efficient, effective and economic services and programs.

Does the option you are recommending create value across all three bottom lines? ☐ Yes ☑ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☑ Yes ☐ No

Employees able to take professional development in the form of conferences, training and courses bring additional skills and knowledge to the workplace.

ap:dt
Attachment
## OBSERVATIONS OF EXISTING SYSTEM

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<th>RECOMMENDATION FOR STRENGTHENING SYSTEM</th>
<th>MANAGEMENT ACTION PLAN</th>
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<td>1.</td>
<td>The travel policy requires final travel expense reports to be submitted to Accounts Payable within 20 days following the conclusion of a seminar or conference. Of the 14 travel expense forms selected for testing, only five final reports were submitted within the prescribed time period. Of the nine employees who were not in compliance, five of them only submitted the final travel expense claims after days ranging from 62 to 118 following the conclusion of the conference. This is despite numerous reminder letters from the Accounts Payable Disbursement Clerk to the employees concerned, copied to their General Managers. Similar exceptions have been brought up in previous audit reports. If advances are not cleared on a timely basis, costs of travel may not be properly allocated, receipts may go missing and overall accountability for expenditures is weakened.</td>
<td>That Accounts Payable staff and departmental management develop a more effective system of following up outstanding travel expense claims to ensure compliance with the travel policy.</td>
<td>Agreed. Timely submission of travel claims is important. Starting in 2005, Accounts Payable (AP) staff have been blocking employees from receiving any further expense reimbursements until final claims are cleared. In addition to the current follow up practices, starting in 2006, the Manager of AP will review the outstanding listing on a monthly basis and perform a secondary follow up with employees and/or supervisors who are late in submitting claims.</td>
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<td>2.</td>
<td>The travel policy requires employees to complete a post conference evaluation report outlining the benefits derived from the conference. The report should be submitted to Accounts Payable with the final travel expense claim. Only two of the 14 sampled travel expense forms had a conference report attached. Following the release of last year’s audit report, departments were directed to prepare and submit conference reports to Accounts Payable for conferences they had attended in 2004. Internal Audit reviewed the file in which these belated reports were filed but could not find post conference reports for the remaining sampled employees. Without post conference reports, it would be difficult to objectively evaluate conference benefits and could possibly result in City resources being spent on conferences that have no demonstrable benefit to the employee, the department or the City as a whole.</td>
<td>That all staff be reminded to include post conference reports with their final expense claims as required in the travel policy. Claims submitted with incomplete documentation should be returned to the claimant for re-submission.</td>
<td>Agreed. Claims submitted with incomplete conference reports are being returned to the claimant. This practice was initiated in 2005 and will be continued.</td>
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### Observations of Existing System

3. As reported in prior employee expense reviews, there continues to be inappropriate charges to the various accounts associated with business travel, training and related expenses.

In testing travel expense reports, inconsistencies were noted in the accounting for travel, accommodation and registration fees. Several instances were noted where the entire cost of a conference including transportation, accommodation, per diems and conference registration fees were charged to the training/conferences account. In other cases, the various cost components were split, with transportation, per diems and accommodation being charged to the travel account while registration fees were charged to the training/conferences account.

Further, legal expenses of $3,977 in respect of drafting of a lease agreement were incorrectly charged to Membership Dues as were $1,629 training costs for winter road maintenance programs.

When inappropriate accounts are used, the accuracy of reported information is affected which could compromise the quality of decision making.

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<th>Recommendation for Strengthening System</th>
<th>Management Action Plan</th>
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<td>3.</td>
<td>As reported in prior employee expense reviews, there continues to be inappropriate charges to the various accounts associated with business travel, training and related expenses.</td>
<td>That clear direction be provided to Financial Assistants and Accounts Payable staff on the proper accounting treatment of travel and training related expenses.</td>
<td>Agreed. During 2005, a standard account matrix for travel related expenses was formulated and distributed. This matrix will be circulated again reminding Finance and Administration (F&amp;A) staff to check account distribution before submission to AP.</td>
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<td>4.</td>
<td>There were several instances of expenditures approved by employees whose names did not appear in the Notification of Signing Authority files resident in Accounts Payable. Some employees appear to have exceeded their signing authority limits because, although they are recorded as authorized signatories, the amounts they approved exceeded their recorded approval limits.</td>
<td>That consideration be given to putting the onus on the Business Administrators (BA) within departments to check that invoices have been properly authorized. The BA’s would be more aware of the appropriate signatories and their levels of authority. Before processing invoices for payment, Accounts Payable staff would ensure that each invoice has been passed for payment by the department’s Business Administrator.</td>
<td>Agreed. A new process will be rolled out in March, 2006. The F&amp;A staff were notified of the new procedures in January, 2006. The F&amp;A staff will:</td>
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<td>For example, an employee whose name did not appear in the Notification of Signing Authority files in Accounts Payable approved a $19,692 invoice for payment. A Business Administrator with an invoice authorization limit of $2,000 authorized a $14,922 invoice for payment. Also, a Financial Assistant I, who does not have signing authority, approved an invoice for payment.</td>
<td></td>
<td>a) keep a record of all departmental Signing Authority forms and be responsible for the upkeep of these forms;</td>
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<td>Allowing persons whose authorization to approve invoices for payment is not on file could result in financial prejudice to the City.</td>
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<td>b) ensure appropriate approvals are obtained on all AP invoices; and</td>
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<td>c) sign all invoices before forwarding to AP for payment.</td>
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<td>AP will:</td>
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<td>a) keep a binder with signatures of all F&amp;A staff who are authorized to process AP invoices and be responsible for its upkeep;</td>
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<td>b) ensure all invoices include an approved F&amp;A signature before processing for payment.</td>
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### BUSINESS TRAVEL, TRAINING AND RELATED EXPENSES
#### JANUARY 2006

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| 5. | Under Membership expenses were included the City’s Chedoke and King’s Forest golf courses’ annual dues to the Golf Association of Ontario (GAO) based on the number of season’s pass holders. The courses, being public and owned and operated by the City, should be paying public course rates. Instead, GAO charges a semi-private course rate of $22.50 per adult and $9.00 for juniors. In 2004, the City’s golf courses paid a total of $19,098 to the GAO. These fees, which include the Royal Canadian Golf Association (RCGA) and Ontario Golf Information Network (OGIN) fees, are not recovered from golfers. OGIN fees enable pass holders to have access to GAO’s golfers’ database and therefore, are for the direct benefit of individual golfers.  
If the City’s courses were to be billed as public courses, the City would pay less than $2,500 as annual dues saving more than $16,000 per year.  
In the past year, Culture and Recreation management has been negotiating with GAO to get the courses billed as public courses but the issue remains unresolved. | That Culture and Recreation’s management aggressively pursue the “public course” resolution with the Golf Association of Ontario (GAO).  
That management consider making individual golfers pay their own OGIN fees. | Agreed. The Division has made several efforts to resolve this issue. It continues to move forward with a meeting scheduled with the GAO for February 17, 2006 at which time, it is hoped a final resolution will be determined. Further, depending on the outcome of the meeting, the responsibility for paying OGIN fees will be considered. |